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IN THE

# Supreme Court of the United States

OCTOBER TERM, 1955

NO. 259

THE WIEMAN AND WARD COMPANY, Petitioner

v.

CITY OF PITTSBURGH and JAMES P. KIRK, Treasurer

and

THE WIEMAN AND WARD COMPANY, Petitioner

v.

THE SCHOOL DISTRICT OF PITTSBURGH and JAMES P. KIRK, Treasurer

## PETITION OF THE WIEMAN AND WARD COMPANY FOR A WRIT OF CERTIORARI TO THE SUPREME COURT OF PENNSYLVANIA

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## REFERENCE TO OPINIONS DELIVERED IN COURTS BELOW

The opinion of the Court of Common Pleas of Allegheny County, Pennsylvania, was filed by Judge T. M. Marshall, sitting as trial judge, on February 18, 1952. The opinion of the Court en banc of the Court of Common Pleas of Allegheny County, Pennsylvania, was filed on June 2, 1953, and on reargument filed September 3, 1954.

The opinion by Horace Stern, Chief Justice, of the Supreme Court of Pennsylvania, rendering the judgment

sought to be reviewed was filed on May 4, 1955, and is officially reported at 381 Pa. 535 (1955).

All of the above opinions are set forth in Appendix A to this Petition.

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## STATEMENT OF GROUNDS OF JURISDICTION

The judgment sought to be reviewed by this Petition was filed on May 4, 1955.

The statutory provision conferring jurisdiction on this Court to review the judgment of the Supreme Court of Pennsylvania by Writ of Certiorari is found in 62 Stat. 929, 28 U.S.C. § 1257 (3) (1948). It is submitted that the City of Pittsburgh Ordinance No. 488 of 1947 and the Act of the General Assembly of Pennsylvania, Act of June 20, 1947, P. L. 745, (Pa. Stat. Ann. tit. 24 §582.1 et seq.), both of which imposed Mercantile License Taxes based on the gross receipts from the sales of the Petitioner, The Wieman and Ward Company, as construed and applied to transactions of the Petitioner, are repugnant to the Commerce Clause of the United States Constitution, U. S. Const. Art. I, § 8, cl. 3, because they tax the gross receipts of transactions in interstate commerce.

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## QUESTIONS PRESENTED FOR REVIEW

Are transactions in Interstate Commerce subject to local mercantile taxes measured by gross receipts where a Pittsburgh dealer sells coal to:

(a) Pennsylvania companies who specify out of state coal for delivery directly to third parties in another state, the coal never entering Pennsylvania?

(b) Pennsylvania dealers who specify Pennsylvania coal for delivery directly across state lines to out of state purchasers?

(c) Out of state purchasers who, in out of state negotiations, specify out of state coal for delivery directly to Pennsylvania scales?

(d) Pennsylvania companies who specify out of state coal for delivery directly to purchasers or customers in Pennsylvania?

(e) Foreign corporations which, in out of state negotiations, specify out of state coal towed by river barges to Pennsylvania loading stations, where more coal is added, and then towed in the same barges to destinations out of state?

(f) Foreign corporations which, in out of state negotiations, specify Pennsylvania coal trucked to Pennsylvania loading stations, loaded directly on barges and shipped to destinations out of state?

## CONSTITUTIONAL PROVISION, STATE STATUTE, AND CITY ORDINANCE WHICH THE CASE INVOLVES

This case involves:

(1) The Commerce Clause of the United States Constitution, U. S. Const., Art. I, § 8, cl. 3—"Congress shall have Power to Regulate Commerce with Foreign Nations and among the Several States and with the Indian Tribes."

(2) Pennsylvania Statute: Act of June 20, 1947, P. L. 745 (Pa. Stat. Ann. tit. 24 § 582.1 et seq.). For pertinent sections see Appendix A.

(3) City of Pittsburgh Ordinance No. 488 of 1947 enacted pursuant to Pennsylvania Act of June 25, 1947, P. L. 1145 (Pa. Stat. Ann. tit. 53 § 2015.1) For pertinent sections see Appendix A.

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## STATEMENT OF THE CASE

The City of Pittsburgh, by virtue of Act No. 481 of the General Assembly of Pennsylvania, Act of June 25, 1947, P.L. 1145 (Pa. Stat. Ann. tit. 53 §2015.1 et seq.) enacted Ordinance No. 488 of 1947 imposing a mercantile license tax at the rate of one mill on each dollar of the volume of annual gross business transacted during the preceding year by wholesole vendors of or dealers in goods, wares, or merchandise.

The School District of the City of Pittsburgh, by virtue of Act No. 320 of the General Assembly of Pennsylvania, Act of June 20, 1947, P. L. 745 (Pa. Stat. Ann. tit. 24 §582.1 et. seq.), imposes an annual mercantile

license tax upon wholesale vendors of or dealers in goods, wares, or merchandise at the rate of one-half mill on each dollar of the volume of annual gross business.

Petitioner, The Wieman and Ward Company, a Pennsylvania corporation with its principal place of business in Pittsburgh, is engaged in the business of wholesale vendor of and dealer in coal and coke. The sources of Petitioner's coal and coke are mines and ovens in the States of West Virginia, Kentucky, and Pennsylvania. Consumers of coal purchased and sold by Petitioner are located in almost every state of the United States east of the Mississippi.

The characteristics of coal, including sulphur content, moisture content, residual ash, volatility, expansion factor, fixed carbon content, friability, and heat productivity per pound computed in "British Thermal Units", differ with each seam of coal or with each mine. Thus coal from one seam will qualify for the particular use of the consumer, while coal from other seams will not so qualify.

For this reason, the buyer specifies the source of the coal by mine name, thus insuring himself that he will obtain coal having the unique characteristics which he desires for his particular use.

This case involves a dispute over the taxability of six different classes of transactions entered into by Petitioner in its business of dealing in coal and coke. Petitioner paid, under protest, the taxes imposed by the City of Pittsburgh and the School District of Pittsburgh on these transactions. The various transactions in-

volved here, the facts of which are not in dispute, are as follows:

CLASS A

*Class A* transactions consist of sales from out of state mines and ovens to Pennsylvania Companies for delivery directly to third parties out of state. The coal or coke never enters the state of Pennsylvania. The purchaser specifies the source of the coal or coke which he wishes to purchase.

CLASS B

*Class B* transactions consist of sales from Pennsylvania mines and ovens to dealers in Pennsylvania but delivered directly to third parties out of state. There is no delivery in Pennsylvania.

CLASS C

*Class C* transactions consist of sales from out of state mines to out of state purchasers (the Baltimore & Ohio Railroad in all instances) for delivery to scales in Pennsylvania. The purchaser specifies the source of the coal which he wishes to purchase, the negotiations for these sales were carried on out of state and the orders were placed from out of state.

CLASS D

*Class D* transactions consist of sales from out of state mines and ovens to Pennsylvania companies for delivery to them or their customers in Pennsylvania. The purchaser specifies the source of the coal or coke which he wishes to purchase.

CLASS E

*Class E* transactions consist of sales from out of state mines to Weirton Steel Company, Weirton, West

Virginia. The contract which was negotiated in Weirton, West Virginia, required Petitioner to load West Virginia coal into Weirton barges at loading points along the Monongahela River in West Virginia. The barges would be loaded as fully as water conditions on the river would permit and then delivered to Weirton's loading station at Isabella where, because of greater river depth, the barges would be completely loaded with Weirton coal by Weirton and then towed direct to the Weirton Steel Company at Weirton, West Virginia. The layover at Isabella, Pennsylvania, was no longer than necessary to complete the loading of the barges.

CLASS F

*Class F* transactions consist of sales from Pennsylvania mines to Weirton Steel Company, Weirton, West Virginia. The contracts which were negotiated in Weirton, West Virginia, required Petitioner to ship the coal from the mines by truck for loading into Weirton barges for immediate shipment to Weirton, West Virginia, for use there.

The question, involving the power of the City of Pittsburgh and the School District of Pittsburgh to tax these transactions because of the commerce clause of the United States Constitution, was raised in the Bill of Complaint of the Petitioner in the following averment:

(R. 14a, 265a) "11. Plaintiff is advised, believes and therefore avers that the transactions upon which the above mentioned additional taxes were assessed were not transactions of the nature and kind made taxable under said Act No. 481 of the General Assembly of Pennsylvania, approved June 25, 1947, and said Ordi-

nance No. 488 of the City of Pittsburgh, approved December 1, 1947; for the reason that said transactions were in interstate commerce or otherwise protected from taxation under said Act and Ordinance by provision of the Constitution of the United States and of the Constitution of the Commonwealth of Pennsylvania."

This averment of the Petitioner has been passed upon in each of the opinions of the courts below. Judge Marshall, in the original opinion of the Common Pleas Court of Allegheny County, Pennsylvania, found for the Petitioner and held that the mercantile taxes could not be assessed on the transactions in question. (App. A, p. 19). Upon review by the Court of Common Pleas of Allegheny County sitting en banc, the trial court's decision was sustained (App. A, pp. 29, 32). The Supreme Court of Pennsylvania on appeal from the decision of the Court en banc ruled that the transactions were taxable (App. A, p. 48).

From that decision, The Wieman and Ward Company petitions this Court to grant a Writ of Certiorari to the Supreme Court of Pennsylvania.

## ARGUMENT

**I. The decision of the Supreme Court of Pennsylvania is not in accord with the applicable decisions of this Court because it allows gross receipts taxes to be levied on the proceeds of transactions in interstate commerce where there are not sufficient local incidents on which to base the tax.**

There are six different types of transactions involved in this case. They have been set forth in detail in the statement of the case and are summarized for the Court's convenience in Appendix B of this Petition.

Each of the transactions involves the movement of coal in interstate commerce. The questions presented to this Court are whether the decision of the Supreme Court of Pennsylvania upholding the gross receipts taxes of the City and School District of Pittsburgh levied on these transactions is in accord with the applicable decisions of this Court construing the commerce clause of the United States Constitution.

Under the applicable decisions of this Court, a local taxing authority cannot levy a gross receipts tax on the proceeds of a transaction in interstate commerce unless there are sufficient local incidents upon which to base the tax. It is the Petitioner's position that there are not sufficient local incidents in any of the transactions in this case upon which to base the local gross receipts taxes.

In the interest of brevity, only two of the six transactions will be discussed. The other four transactions while equally important are variations thereof. The two transactions discussed clearly illustrate that the gross

receipts taxes of the City and School District of Pittsburgh as applied to these transactions are unconstitutional.

*(a) Where the coal involved in the sale never enters the State of Pennsylvania, no gross receipts tax can constitutionally be levied on the transaction.*

In the transactions designated as Class A, the coal never enters the State of Pennsylvania, let alone the boundaries of the taxing authority.

The characteristics of coal differ with each seam of coal or with each mine. Thus coal from one seam will qualify for the particular use of the consumer, while coal from other seams will not so qualify.

For this reason, the buyer specifies the source of the coal by mine name so that he will obtain coal having the unique characteristics which he desires for his particular use.

At the buyers direction the coal is then delivered out of state to a customer of the buyer (See Appendix B).

The Pennsylvania Supreme Court held that the mercantile taxes of the City of Pittsburgh and the School District of Pittsburgh could be levied on these transactions. In its opinion it relied primarily on its prior decisions in *Keystone Metal Co. v. Pittsburgh,* 374 Pa. 323, 97 A2d 797 (cert. denied 346 U. S. 887, rehearing denied 917) (1953).

The United States Supreme Court decisions which were cited by the Pennsylvania Supreme Court were *Western Live Stock v. Bureau of Revenue,* 303 U. S. 250

(1938); *Southern Pacific Co. v. Gallagher*, 306 U. S. 167, 176 (1938); *McGoldrick v. Berwind-White Coal Mining Co.*, 309 U. S. 33, 58, (1940); *International Harvester Co. v. Department of Treasury*, 322 U.S. 340 (1944); and *Norton Co. v. Department of Revenue of Illinois*, 340 U.S. 534 (1951). None of these decisions support the levy of a gross receipts tax on Class A transactions.

The *Western Live Stock* case, *supra*, involved the taxation by New Mexico of the gross receipts of the sale of advertising space by a publisher in New Mexico to advertisers outside the state. In that case this Court relied on the *American Manufacturing Co.*[1] case as authority for the tax on a local business carried on in the state.

The question presented in this case is clearly not controlled by the decisions in the *Western Live Stock* or the *American Manufacturing Co.* cases as Wieman and Ward does not carry on any manufacturing, publishing, or similar activities within the taxing jurisdiction. Wieman and Ward acts only as a wholesale vendor of coal and coke.

In all the other cases cited by the Pennsylvania Supreme Court as referred to above, there is a delivery of the subject matter of the transaction within the taxing jurisdiction, a local incident on which to base the tax. In this case the taxing jurisdiction is the City of Pittsburgh.

In *Southern Pacific Co. v. Gallagher, supra*, this Court held valid a use tax on goods purchased out of state

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1. American Manufacturing Co. v. City of St. Louis, 250 U.S. 459 (1919).

by a railroad doing business in California on the ground that there was an event where the goods came to rest in California, the taxing jurisdiction, after the sale.

*McGoldrick v. Berwind-White Coal Mining Co., supra,* involved a tax on sales of goods for consumption which was a use tax with a different name. This Court upheld the tax because the contract of sale was made in the taxing jurisdiction and there was a delivery of goods to the purchaser for consumption within the taxing jurisdiction.

The decisions of this Court in the *International Harvester* case, *supra,* and in the *Norton* case, *supra,* sustained gross receipts taxes where the goods were delivered to customers within the taxing jurisdiction.

It is apparent that the important factor in allowing the tax in the above decisions is the *delivery* of the goods within the taxing jurisdiction. This affords the taxing authority a sufficient local incident upon which to base the tax.

In Class A transactions there was no delivery of the coal in the taxing jurisdiction, Pittsburgh. In fact, the goods never entered Pennsylvania. Those cases cited by the Pennsylvania Supreme Court cannot control this case.

It is submitted that Class A transactions are controlled by *J. D. Adams Manufacturing Co. v. Storen,* 304 U.S. 307 (1938) and *Freeman v. Hewit,* 329 U.S. 249 (1946) in which cases there was no delivery of goods within the taxing jurisdiction. Although those cases hold that the interstate character of the sale (where the seller is in a different state from the buyer)

makes the tax a burden on interstate commerce, it is the fact that there was no delivery within the taxing jurisdiction which distinguishes the cases from the *Norton* case and the *International Harvester* case, *supra*. The gross receipts tax imposed on Class A transactions is a burden on interstate commerce and should not be sustained by this Court.

The Petitioner knows of no cases decided by this Court which have permitted a tax on the gross receipts of a sale of goods where the goods were transported across state borders and were never within the taxing jurisdiction.

*(b) Where negotiations for the sale of coal take place outside the taxing jurisdiction and pursuant to contract the coal is shipped from West Virginia by river through the taxing jurisdiction back to West Virginia, the proceeds of the transaction cannot constitutionally be reached by a Pittsburgh gross receipts tax.*

In the transactions designated as Class E (See Appendix B) negotiations are carried on outside Pennsylvania with an out of state purchaser. The coal is then obtained from a specified out of state mine and placed on the purchaser's barges on the Monongahela River in West Virginia and started on its journey via that river, through Pennsylvania, to a destination also in West Virginia.

Due to the shallow nature of the river in West Virginia where the Petitioner's coal is loaded, the barges cannot be loaded to capacity. Therefore, the barges are stopped at Isabella, Pennsylvania, and loaded with

more coal belonging to the out of state purchasers in order to utilize the barges' full capacity. The Petitioner's coal is not taken off the barges but continues to its ultimate destination in West Virginia on the same barges on which it started.

The Pennsylvania Supreme Court in holding valid the gross receipts tax as applied to Class E transactions relied on *Chassaniol v. City of Greenwood,* 291 U. S. 584 (1934); *Department of Treasury of Indiana v. Wood Preserving Corporation,* 313 U. S. 62 (1941); *International Harvester Co. v. Department of Treasury,* 322 U. S. 340, 345 (1944); and *Interstate Oil Pipe Line Co. v. Stone,* 337 U. S. 662 (1949).

None of these cases support the tax on Class E transactions.

In *Chassaniol v. City of Greenwood, supra,* a flat occupation tax was imposed on a cotton dealer who bought cotton within the State of Mississippi and later sold 90 per cent of it for shipment in interstate commerce. This Court held the tax valid because it was imposed upon local activities which occurred prior to interstate shipment. The tax imposed upon the activities of Wieman and Ward is a gross receipts tax measured by their volume of business and is entirely different from the flat rate license tax that was upheld in the *Chassaniol* case.

In the *Wood Preserving case, supra,* the Indiana gross receipts tax was upheld on transactions involving the sale of goods which were originally from Indiana, delivered to a purchaser there and later shipped out of state. In that case, the taxable incident was the

local delivery of the goods before they entered the flow of interstate commerce. In Class E transactions there is no taxable incident of local delivery, before the coal enters the flow of interstate commerce. Unlike the fact in the *Wood Preserving* case, the coal here is already in the flow of commerce when it temporarily stops at Isabella, Pennsylvania, a place which is outside the taxing jurisdiction.

The *International Harvester* case, *supra,* involves the only transaction which is similar to the Class E transaction. It, in one classification, involved the sale of Indiana goods to an out of state purchaser who entered Indiana to take delivery. Class E transactions differ from those in the *International Harvester* case because the coal is not Pittsburgh coal or even Pennsylvania coal but is West Virginia coal shipped through Pennsylvania back to West Virginia.

In *Interstate Oil Pipe Line Co., supra,* the tax was levied on the gross receipts of a corporation engaged in transporting oil from one place in the taxing jurisdiction to another place in the taxing jurisdiction. Although the oil was destined for consumers outside the taxing jurisdiction the pipe line was not in interstate commerce. The gross receipts were derived from the use of the pipe line and were not derived from the sale of goods which moved in interstate commerce. In Class E transactions the subject of the sale is coal which moves in interstate commerce and is clearly different from the use of a pipe line.

This Court should not sustain a gross receipts tax on sales of coal which are admittedly transactions in interstate commerce where the only time the goods

enter Pennsylvania is during their continuous interstate journey. It is submitted that a stoppage outside the taxing jurisdiction should not give the City and School District of Pittsburgh the right to tax these interstate transactions.

**II. Each of the transactions herein classified is in interstate commerce and can not be subjected to the gross receipts tax levied here.**

The statutes, ordinances and regulations under which the mercantile taxes are imposed all recognize that the commerce clause of the Federal Constitution limits the scope of the taxes. Section 12 (b) of the Act of June 20, 1947, P.L. 745, as amended, (Pa. Stat. Ann. tit. 24 § 582.12 (b)) Section 11 (a) City of Pittsburgh Ordinance No. 488 of 1947.

The mercantile taxes which the City and School District of Pittsburgh seek to impose are direct taxes which cannot constitutionally be imposed upon the gross receipts of an interstate activity. A careful consideration by this Court of the effect of the commerce clause on local gross receipts taxation of interstate activity is found in the case of *Freeman v. Hewit,* 329 U.S. 249 (1946), which involved the Indiana gross income tax.

In *Freeman v. Hewit, supra,* the taxpayer, an Indiana trustee of an Indiana estate, arranged with his Indiana broker to sell certain securities of the estate. The Indiana broker, through his New York correspondent, sold the securities on the New York Stock Exchange. The taxpayer thereupon delivered the securities to the broker for transmittal to the New York correspondent for the delivery to the purchaser.

*Argument.*

This Court in an opinion by Mr. Justice Frankfurter held that the imposition of the gross receipts tax on the sale was unconstitutional. The decision also discarded the multiple burden theory for determining the validity of state taxes.

The opinion started with the proposition that the Commerce Clause of the United States Constitution by its own force created an area of trade free of interference by the States (329 U.S. at p. 252). It then stated that a gross receipts tax was a direct tax which created an inherent danger to commerce and constituted a greater burden on commerce than an indirect tax (329 U.S. at p. 253). The Court held that a tax on the gross receipts of an interstate sale is a direct tax on interstate commerce and is unconstitutional and it is immaterial that local commerce is subjected to the same tax. Mr. Justice Frankfurter added that sales and use taxes should be treated differently from gross receipts taxes. The former are a burden on the consumer who is a resident of the taxing jurisdiction, while the latter are a direct burden on commerce.

In all the transactions in the case at bar the taxing authorities have attempted to impose a direct unapportioned gross receipts tax on the receipts from interstate sales. Such a tax is unconstitutional. *Freeman v. Hewit, supra.*

We submit that *Freeman v. Hewit, supra,* and the later case of *Joseph v. Carter and Weekes Stevedoring Co.,* 330 U.S. 422 (1947), discarded the multiple burden test. The transactions in the case at bar are controlled by *Freeman v. Hewit* and not the earlier cases decided by this Court during the period from 1938 to 1944, beginning

with *Western Live Stock v. Bureau of Revenue,* 303 U. S. 250 (1938), and ending with *International Harvester Co. v. Department of Treasury,* 322 U.S. 340 (1944).

Secondly, it is submitted that even if the multiple burden theory of taxation is found to have any validity it should not be used as a general proposition but be examined in the light of the specific cases in which it was applied. When this is done, it is apparent as shown in Argument I of this Petition that the cases are not applicable to the transactions in this case.

When the transactions of the case at bar are examined, it is clearly evident that they are not subject to the gross receipts tax levied here.

**Conclusion.**

It is submitted that the decision of the Pennsylvania Supreme Court in upholding the gross receipts taxes levied by the City of Pittsburgh and the School District of Pittsburgh is in conflict with the applicable decisions of this Court.

It is further submitted that this case with its six different classifications presents a unique opportunity for this Court to clarify the law with respect to local taxation of transactions in interstate commerce.

Therefore Petitioner prays that this Court grant its Petition for Certiorari.

Respectfully submitted,

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## APPENDIX A

### Opinion of the Trial Court and Order.

Marshall, J.

A proper understanding of the facts of this case is very important. Therefore, we have decided to give both the plaintiff and defendant's statement of facts.

### PLAINTIFF'S STATEMENT OF FACTS

The case at bar presents the question of the effect of the Commerce Clause of the Constitution of the United States of America on the rights of the defendant City and School District to impose "mercantile taxes" upon the gross receipts of the plaintiff taxpayer arising out of certain transactions.

The Defendant, City of Pittsburgh, by virtue of Act No. 481 of the General Assembly of Pennsylvania of June 25, 1947, P. L. 1145 (53 P. S. 2015.1 et seq) enacted Ordinances Nos. 488 and 489 of 1947 imposing a mercantile license tax at the rate of one mill on each dollar of the volume of annual gross business transacted during the preceding year by wholesale vendors of or dealers in goods, wares, or merchandise.

Section 11 (a) of Ordinance No. 488 provides that it shall not be construed to empower the city to collect taxes not within the taxing powers of the City under the Constitution of the United States.

The defendant School District of the City of Pittsburgh, by virtue of Act No. 320 of the General Assembly of Pennsylvania of June 20, 1947, P.L. 745 (24 P.S. 582.1 et seq), imposes an annual mercantile license tax upon

wholesale vendors of or dealers in goods, wares, or merchandise at the rate of one-half mill on each dollar of the volume of annual gross business.

Section 12 (2) of Act No. 320 provides that the statute should not be construed to impose the tax on any business or portion of business not within the taxing powers of the Commonwealth of Pennsylvania under the Constitution of the United States.

The plaintiff, a Pennsylvania corporation with its principal place of business in the City of Pittsburgh, is engaged in the business of wholesale vendor of or dealer in coal, coke and pig iron.

The sources of plaintiff's coal and coke are mi[ne]s and ovens in the states of West Virginia, Kentucky, and Pennsylvania.

There are no other major coal mining states in this part of the country. Consumers of plaintiff's coal are located in almost every state of the United States east of the Mississippi.

The function of the Wieman and Ward Company in the coal industry is twofold. First, it serves as a selling agent for coal producers who, because of size or other economic reasons, cannot sell directly to the consumer.

Secondly, the Weiman and Ward Company acts as a purchasing agent for those brokers or consumers who, for economic reasons, cannot deal directly with the producers. Through its contracts with both the producers and the purchasers the plaintiff enables the purchasers to obtain a source of supply and the smaller producers to obtain a market which enables them better to compete with the large producers.

Plaintiff's testimony developed the fact that coal produced in one state or even from one mine within one state is unique. The coal from one mine might be suitable for certain purposes and wholly unsuited for others. Because of this fact and because the consumers of coal are located in many states it is apparent that plaintiff's business crosses state borders.

The question for the court to determine is what portion of plaintiff's business is in interstate commerce and protected from defendants' taxing powers by the Commerce Clause of the Federal Constitution.

## DEFENDANTS' STATEMENT OF FACTS

The facts are undisputed. They were related by witnesses for plaintiff. The defendants offered no evidence.

The City of Pittsburgh imposed a mercantile tax by its Ordinance No. 488, approved December 1, 1947. This levies a tax of one mill on sales at wholesale of goods, wares and merchandise in the City. In the case of retail merchants the rate of the tax is two mills on gross volume of business. The tax is measured by volume of business done in the year prior to the tax year. The tax ordinance was enacted by the City pursuant to the authority bestowed upon it by the Act of June 25, 1947, P.L. 1145 (No. 481), (53 P.S. 2015.1.)

Article 1, Section 8, clause 3, of the Constitution of the United States, provides that the congress shall have power to regulate commerce with foreign nations and among the several states, and with the Indian Tribes. The several courts of the United States and of the states

have held that because of this provision no state and no municipality may unduly burden any such commerce.

The city asserts that its tax as levied against plaintiff does not transgress this clause. Its position, as established by the authorities hereinafter discussed, is that interstate commerce is involved only when an out-of-state buyer purchases merchandise from a Pittsburgh seller, and pursuant to this contract of sale the goods are shipped from the seller across the state line to the buyer. The plaintiff apparently takes the position that the City is barred from its tax in any case where the goods involved cross a state line regardless of the number of parties to the transaction or their respective locations. This position is not supported by the authorities.

Wieman and Ward Company, the plaintiff, is a Pennsylvania corporation with a place of business in the Oliver Building, Pittsburgh, Pa. It is a wholesale dealer in coal, coke and pig iron. It is admittedly subject to the City mercantile tax and, accordingly, it took out mercantile licenses for the years involved in these suits. It also paid the tax on a portion of its gross receipts. Thereafter, the City audited the books of the Company and assessed it for additional taxes. The amounts paid by plaintiff for the several years and the additional assessments made by the City are as follows:

| *Year* | *Amount paid* | *Additional Assm't* | *Total Claimed by City* |
|---|---|---|---|
| 1948 | $1,562.55 | $2,661.01 | $4,223.56 |
| 1949 | 1,828.84 | 2,776.17 | 4,605.01 |
| 1950 | 1,412.30 | 1,067.99 | 2,480.29 |
| 1951 | 3,457.02 | 1,601.12 | 5,058.14 |

*Appendix A*

The City's claim for additional taxes is based upon receipts from certain transactions which it claims plaintiff wrongfully excluded. There are seven types of transactions which plaintiff claims are not subject to tax and where the City takes a contrary view. Counsel for plaintiff offered in evidence as Exhibit "1" a breakdown of the various transactions and receipts from each type for the various years. It will be noted by referring to the Exhibit that the amount of tax is always one and one-half times the sum claimed by the City. The reason for this is that the amount shown on the Exhibit includes the School District tax, which is one-half the amount of the City tax.

The various transactions are summarized below but the figures are not added since they are agreed to and actually have no bearing on the legal question:

A. Sale by plaintiff to Pennsylvania customer for shipment to the customer's customer out of the state. The product sold was supplied by an out-of-state mine and shipped direct to the ultimate consumer.

B. Same as above except mine is in Pennsylvania. Product shipped from Pennsylvania mine to customer's customer out of the state.

C. Sale by plaintiff to out-of-state customer (B. & O. R. R.) for shipment to the customer in Pennsylvania. In this case the supplier is out of the state and shipment is made from the supplier to the Pennsylvania destination.

D. Sales by plaintiff to Pennsylvania customer where the goods are purchased by plaintiff from

an out-of-state source of supply and delivered by the supplier direct to the customer in Pennsylvania.

E. Sale by plaintiff to out-of-state buyer where the goods are delivered to the buyer in Pennnsylvania. The coal or coke is purchased from an out-of-state supplier and shipped by the supplier to the buyer in Pennsylvania.

F. Same as above except that in this case the supplier is within the Commonwealth of Pennsylvania.

G. Sales to Pennsylvania Railroad at Pittsburgh or Philadelphia for shipment over the Railroad's system when needed. In this case the supplier is in Pennsylvania.

The nature of plaintiff's business and the various transactions were elucidated by Norman L. Parkins, Vice-President of plaintiff, and by Carl B. Freed, Assistant Treasurer, both of whom testified for plaintiff.

Mr. Parkins stated that the Company buys the output of certain mines in Pennsylvania, West Virginia and Kentucky. It sells to steel companies and to public utilities. When the customer orders coal he usually specifies the mine from which the coal he buys is to be produced.

Wieman and Ward employ eight salesmen, five of whom operate in the Pittsburgh territory, one in Cincinnati, one in New York and one other.

Mr. Freed gave examples of the several types of transactions which were listed in Exhibit "1". An example of Class A sales is as follows:

*Appendix A*

The H. C. Frick Coke Company, a Pittsburgh concern, purchases 15,000 tons of coal from plaintiff, specifying the mine from which the coal is to be procured. The purchaser directs that the coal shall be shipped to Frick's customer, the National Tube Company, at Lorain, Ohio. Dalton [C]oal Sales Company, located outside of Pennsylvania, receives the order from plaintiff and ships the coal to National Tube pursuant to instructions. Dalton sends plaintiff a shipping notice. Dalton bills plaintiff for the price of the coal and plaintiff in turn bills Frick. Class B sales are similar except that the coal is mined in Pennsylvania.

Under Class C sales plaintiff receives an order for coal from the Baltimore and Ohio Railroad Company's agent in Baltimore, Maryland. The order specifies where the coal is to be mined. The purchaser notifies the producing company to deliver the coal to a weigh station in Pennsylvania.

Under class D sales plaintiff will receive an order from the Jones and Laughlin Steel Company, a Pittsburgh concern. The order specifies that the coal is to be mined at Rock Forge Ovens in Morgantown, W. Va. It also directs that the coal is to be delivered to Jones and Laughlin Steel Company at its Aliquippa, Penna., plant. The transaction is fulfilled on these terms, Rock Forge shipping the coal from Morgantown, W. Va., to Aliquippa, Pa.

Class E. Sales: Weirton Steel Company of Weirton, W. Va., orders coal from plaintiff to be produced at the Yale mine in West Virginia and to be delivered to Weirton at Isabella, Pa. The transaction is carried out

according to these arrangements, Yale mine shipping the coal to the purchaser at Isabella, Pa.

Class F sales: Here again Weirton Steel Company is the purchaser. The only difference between Class E sales and Class F sales is that in Class F sales the coal is mined in Pennsylvania and delivered to Isabella, Pennsylvania. Plaintiff asserts that interstate commerce is involved here because at Isabella the coal is transferred from trucks to barges and then moved by river to the buyer's plant in West Virginia.

Class G. Sales: The Pennsylvania Railroad Company orders coal to be delivered in Pennsylvania for use in its system. Plaintiff asserts that interstate commerce is involved here because the buyer's trains move through several states. The City taxed receipts from such sales only where delivery was effected in Pennsylvania. Where an order called for delivery to the buyer in Columbus, Ohio, the receipts from the transaction were excluded by auditors for the City.

From the above list it would appear that there are many and complicated problems in the case. This is really not so. It is believed that the solution of one problem will greatly simplify the others. Also, there is one element in the above examples which counsel for the City believes to be immaterial, namely, the location of the supplier. In examples, A, C, D, and E, above, the supplier is out of the state. Counsel for the City believes it is well established that this is immaterial. If problems arising from this element may be eliminated the way to a decision of the case will be simplified.

*Appendix A*

## DISCUSSION

The plaintiff claims interstate commerce; the city Defendant denies that it has imposed its tax on any receipts resulting from transactions moving interstate commerce. The plaintiff has submitted a brief covering 26 pages, and the defendant has submitted one of the same length. To quote all of the authorities and try to distinguish them would make necessary an opinion which would be a book in length, and would only be confusing.

The statutes, ordinances and regulations under which the mercantile taxes are imposed all recognize the fact that the commerce clause of the Federal Constitution limits the scope of the taxes.

Section 12 (b) of the Act of June 20, 1947, P.L. 745, as amended, 24 P.S. 582.12 (b), under which the School District taxes are imposed, provides as follows:

> "b. Nothing contained in this act shall be construed to empower any school district of the first class to levy and collect the taxes hereby imposed on any person or on any business or any portion of any business not within the taxing power of this Commonwealth under the Constitution of the United States."

We feel that the case of Freeman v. Hewit, 329 U.S. 249 (1946) which involved the effect of the Commerce clause, is controlling. Here, the Supreme Court held that gross receipts taxes are direct taxes and that direct taxes on interstate commerce are unconstitutional. In this case an Indiana trustee of an Indiana estate, arranged with his Indiana broker to sell certain securities of the estate. The broker, through his New York correspond-

ent, sold the securities on the New York Stock Exchange. The securities were sent to the New York correspondent to be given to the purchaser. Justice Frankfurter held that the tax was unconstitutional. Mr. Justice Rutledge wrote a concurring opinion. We also cite the case of International Harvester Co. v. Dept. of Treasury, 322 U. S. 340. In that case, several classes of sales made by International Harvester Co., which had places of business in Indiana, were subject to the Indiana gross receipts tax. The Supreme Court found the tax valid in each class and based its decision on the consummation of the transaction, delivery of the goods, in Indiana.

We therefore believe that any tax on Interstate Commerce is unconstitutional. We do not believe the tax is unconstitutional as to coal mined in Pennsylvania and sold in Pennnsylvania, even if it is to a customer in Pennsylvania who in turn intends to sell it to some customer over a state line.

ORDER OF COURT

And now, to-wit; Feb. 18, 1952, we hereby order and direct that all of the within taxes except those where purchase is made in Pennsylvania and sold in Pennsylvania and sold in interstate commerce are not subject to taxation by the defendants.

BY THE COURT,

Eo die, exception noted and bill sealed.

T. M. MARSHALL (Seal)
Judge.

*Appendix A*

**Opinion of the Court en Banc and Order.**

Before: Marshall, Ellenbogen and O'Brien, JJ.

Marshall, J.

For the benefit of my colleagues I will give a short statement of the facts.

The case at bar presents the question of the effect of the Commerce Clause of the Constitution of the United States of America on the rights of the defendant City and School District to impose "mercantile taxes" upon the gross receipts of the plaintiff taxpayer arising out of certain transactions.

The defendant, City of Pittsburgh, by virtue of Act No. 481 of the General Assembly of Pennsylvania of June 25, 1947, P. L. 1145 (53 PS 2015.1 et seq.) enacted Ordinances Nos. 488 and 489 of 1947 imposing a mercantile license tax at the rate of one mill on each dollar of the volume of annual gross business transacted during the preceding year by wholesale vendors of or dealers in goods, wares, or merchandise.

Section 11 (a) of Ordinance No. 488 provides that it shall not be construed to empower the city to collect taxes not within the taxing powers of the City under the Constitution of the United States.

The defendant School District of the City of Pittsburgh, by virtue of Act No. 320 of the General Assembly of Pennsylvania of June 20, 1947, P. L. 745 (24 PS 582.1 et seq.), imposes an annual mercantile license tax upon wholesale vendors of or dealers in goods, wares, or merchandise at the rate of one-half mill on each dollar of the volume of annual gross business.

The sources of plaintiff's coal and coke are mi[ne]s and ovens in the states of West Virginia, Kentucky and Pennsylvania.

The function of the Weiman and Ward Company in the coal industry is twofold. First, it serves as a selling agent for coal producers who, because of size or other economic reasons, cannot sell directly to the consumer.

Secondly, the Wieman and Ward Company acts as a purchasing agent for those brokers or consumers who, for economic reasons, cannot deal directly with the producers.

The facts are not in dispute. The city asserts that its tax as levied against plaintiff does not transgress this clause. There are seven types of transactions which plaintiff claims is not sufficient to tax where the City takes a contrary view.

All of these cases were tried together and the defendant has filed exceptions to the Adjudication of the Court. Defendants except to the final order of Court which reads as follows:

> "And now, to-wit; February 18, 1952, we hereby order and direct that all of the within taxes except those where purchase is made in Pennsylvania and sold in Pennsylvania and sold in interstate commerce are not subject to taxation by the defendants."

Defendant relies to some extent on the opinion of Judge Adams in the Keystone case which is now before the Supreme Court. There are other cases cited by the Defendant which we will not refer to inasmuch as we felt we were controlled by the Hewitt case: 329 U. S.

249. The defendant's second proposition seems to be that even if plaintiff's transactions are not Interstate Commerce the mercantile tax can constitutionally be imposed. The Freeman vs. Hewitt case, 329 U. S. 249 involved the effect of the Commerce Clause. In the Keystone case copper scrap was delivered to New Jersey for refinement there and shipment as refined copper to rolling mills in other states. In the case at bar, the coal was to be consumed in the state of its destination. We therefore believe that any tax on interstate commerce is unconstitutional. We do not believe the tax is unconstitutional if coal is mined in Pennsylvania and sold in Pennsylvania even if it is in turn sold to a customer in Pennsylvania who in turn intends to turn it over to a customer in another State. It seems to us that it would be a waste of time, money and effort to argue this case in the Supreme Court before the decision in the case now before the Supreme Court is handed down. This is merely a suggestion and is not binding on either party. When the decision in the Keystone case is handed down if the parties wish to have this case reargued we will be glad to hear same. The exceptions will be dismissed.

ORDER OF COURT

And now, to wit; June 2, 1953 defendant's exceptions are hereby dismissed.

By the Court,
T. M. M.

Eo die, exception noted and bill sealed.

T. M. MARSHALL [SEAL]
*Judge.*

**Opinion of the Court en Banc and Order.**

Before: Marshall, Weiss and Duff, JJ.

Marshall, J.

FINDINGS OF FACT

1. Plaintiff is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principal place of business in the Oliver Building, Pittsburgh, Pennsylvania.

2. The defendant, City of Pittsburgh, is a municipal corporation and a city of the second class under the laws of the Commonwealth of Pennsylvania.

3. The defendant, James P. Kirk, is the Treasurer of the City of Pittsburgh and as such is empowered and directed to enforce the City's ordinances hereinafter referred to.

4. The defendant, the School District of Pittsburgh, is a school district of the first class of the Commonwealth of Pennsylvania, and the defendant, James P. Kirk, is the Treasurer of said school District.

5. Plaintiff is engaged, inter alia, in the business of wholesale vendor of or dealer in coal, coke and pig iron.

6. In the course of said business Plaintiff purchases coal, coke and pig iron in various states in the United States, including Pennsylvania, sells the coal, coke and pig iron to dealers and manufacturers in various states of the United States, including Pennsylvania, and arranges for the delivery of the coal.

7. Cities of the second class, among other municipal corporations and political subdivisions, are au-

horized by Act No. 481 of the General Assembly of Pennsylvania, approved June 25, 1947, to levy, assess and collect taxes on such persons, transactions, occupations, privileges, subjects and personal property as the municipality shall determine, excepting those subject to a state tax or license fee.

8. Council of the City of Pittsburgh by its Ordinances Nos. 488 and 489, approved December 1, 1947, provided, for the issuance of mercantile licenses for the year 1948 and annually thereafter to persons engaged in certain occupations and businesses upon payment of certain fees therefor and levied for the year 1948 and annually thereafter a mercantile license tax at the rate of one mill on each dollar of volume of annual gross business transacted.

9. Section 11 (a) of said Ordinance No. 488 provides, as follows:

> "Nothing contained in this ordinance shall be construed to empower the City to levy and collect the taxes hereby imposed on any person, or any business, or any portion of any business not within the taxing power of the City under the Constitution of the United States and the laws and Constitution of the Commonwealth of Pennsylvania."

10. Pursuant to said Ordinances, the defendant, James P. Kirk, Treasurer of the City of Pittsburgh, issued Mercantile License Tax Regulations, effective January 1, 1948.

11. Act No. 320 of the General Assembly of Pennsylvania, approved June 20, 1947 provides that every school district of the first class shall issue mercantile

licenses and levy and collect an annual mercantile license tax in the manner at the rates therein set forth upon wholesale vendors of or dealers in goods, wares and merchandise, and requires said vendors of or dealers in goods, wares and merchandise to procure on or before the first day of January of each year a mercantile license for its place of business upon the payment of a prescribed license fee and to pay an annual mercantile license tax at the rate of one-half mill on each dollar of the volume of the annual gross business transacted.

12. Nothing contained in said Act shall be construed to empower any school district of the first class to levy and collect the taxes thereby imposed on any person, or on any business, and that it is the intent of the General Assembly that no taxes are to be imposed upon under said Act in violation of the provisions of the Constitution of the United States or of the Constitution of the Commonwealth of Pennsylvania.

13. Plaintiff applied and paid for mercantile licenses for the years 1948, 1949, 1950 and 1951, which were issued by Defendants.

14. Plaintiff filed with Defendants Mercantile Tax Returns for the years 1948, 1949, 1950 and 1951.

15. Following an examination of Plaintiff's records, Defendants assessed Plaintiff for the years 1948, 1949, 1950 and 1951 additional mercantile tax together with penalty at the rate of 1% per month and interest at the rate of ½% per month.

16. The dispute between the parties is as to whether sales in the total amount of $8,546,019.69 for the

taxable years 1949, 1950 and 1951, should be included in computing mercantile taxes.

17. Plaintiff filed bills of complaint in equity praying that the aforesaid assessments made by the Defendant City be declared null and void and of no effect whatever and for such other further relief as may be deemed proper.

18. Plaintiff filed petitions for appeal from Assessments of Mercantile License Taxes of the Defendant School District and obtained orders of the Court of Common Pleas of Allegheny County awarding issues between Plaintiff and Defendant School District.

19. By stipulation of the parties all of the aforesaid suits against the Defendant City and all of the aforesaid appeals from the assessments of the Defendant School District were joined together.

20. Plaintiff and defendants agree that the receipts from certain types of transactions of the Plaintiff are exempt from mercantile taxes under the applicable Ordinances of the City of Pittsburgh, and the applicable statutes of the Commonwealth of Pennsylvania for the reason that these transactions were in interstate commerce or otherwise protected by provisions of the Constitution of the Commonwealth of Pennsylvania.

21. *Class A*: These transactions consist of sales from out-of-state mines and ovens to Pennsylvania companies for delivery directly to third parties out of state. The coal or coke never enters the State of Pennsylvania except for through transportation in certain instances.

22. *Class B*: These transactions consist of sales from Pennsylvania mines and ovens to dealers in Penn-

sylvania but delivered directly to third parties out of state. There is no delivery in Pennsylvania.

23. *Class C*: These transactions consist of sales from out of state mines to out of state purchasers for delivery to scales in Pennsylvania. The purchaser specifies the source of the coal which he wishes to purchase, the negotiations for these sales were carried on out of state and the orders were placed from out of state.

24. *Class D*: These transactions consist of sales from out of state mines and ovens to Pennsylvania companies for delivery to them or their customers in Pennsylvania.

25. *Class E*: These transactions consist of sales from out of state Mines to Weirton Steel Company, Weirton, West Virginia. The contract required plaintiff to load West Virginia coal into Weirton barges at loading points along the Monongahela River in West Virginia. The layover at Isabella, Pennsylvania, was no longer than necessary to complete the loading of the barges.

26. *Class F*: These transactions consist of sales from Pennsylvania mines to Weirton Steel Company, Weirton, West Virginia. The contracts, which were negotiated in Weirton, West Virginia, required Plaintiff to ship the coal from the mines by truck for loading into Weirton barges for immediate shipment to Weirton, West Virginia for use there.

27. *Class G*: These transactions consist of sales from Pennsylvania mines and ovens to railroads in Pennsylvania for delivery to them at their nearest scales.

28. The function of the Weiman and Ward Company in the economy of the coal industry, in so far as its purchasing is concerned, is to provide a market for coal mining companies which, because of their size or other economic reasons, do not or cannot market their own product. The plaintiff Company makes purchases from mining companies in four states of the United States.

29. The function of the Weiman and Ward Company in the economy of the coal industry, in so far as its selling is concerned, is to provide a source of supply for two classes or purchasers; first, those whose needs are so small that it is uneconomic to deal directly with producers and, second, those purchasers whose needs are so large that they need the outlet of many producers. Weiman and Ward solicit orders in many states and Canada and make deliveries to many states and Canada.

## CONCLUSIONS OF LAW

One. The Court has jurisdiction over the defendants, whether the Bills of Complaint be considered as suits in equity or as appeals from assessments and as to all taxable years involved by stipulation of the parties.

Two. The Court has jurisdiction over the Defendants, and as to all taxable years involved by stipulation of the parties.

Three. The City of Pittsburgh mercantile tax is a gross receipts tax at the rate of one mill on each dollar of volume of annual gross business transacted during the preceding year by vendors of or dealers in goods, wares and merchandise.

Four. The School District of Pittsburgh mercantile tax is a gross receipts tax at the rate of one-half mill on each dollar of volume of annual gross business transacted during the preceding year by vendors of or dealers in goods, wares and merchandise.

Five. A tax on the gross receipts from an interstate transaction is a direct tax on interstate commerce itself and is unconstitutional.

Six. It is immaterial that local commerce is subjected to the same tax.

Seven. Because of the greater or more threatening burden of a direct or gross receipts tax, which is imposed whether the commerce results in a profit or loss, and because of the lesser need to the defendants for the particular source of revenue, such taxes should be scrutinized most carefully where the transactions upon which they are imposed involve more than one state.

Eight. Taxes like sales and use taxes, which are a burden on the consumer who is a resident of the taxing jurisdiction, should be treated differently from gross receipts taxes, which are a burden on commerce.

Nine. Gross receipts taxes on sales where the goods are transported across state borders are permissible only where all of the following factors are present: a. On orders solicited in the taxing jurisdiction; and b. Where the contracts were entered into in the taxing jurisdiction; and c. Where the seller maintained a place of business in the taxing jurisdiction; and d. Where the orders may be filled as readily from intrastate as extrastate goods, and e. Delivery is made

to the purchaser in the taxing jurisdiction either (1) directly from such extra-state source or, (2) by relay through the offices of the seller in the taxing jurisdiction; and f. The delivery to the purchaser in the taxing jurisdiction is for consumption by the purchaser; and g. Provided that no congressional enactment or policy is thereby offended.

Ten. Wherever transactions involve more than one state, unless the involvement of more than one state is purely voluntary, the transactions are in interstate commerce and receipts therefrom are exempt from defendants' mercantile taxes.

Eleven. Receipts from Class A transactions, where coal from an out of state source as required by the purchaser, is supplied directly to an out of state consumer, at the direction of a Pennsylvania purchaser, are from interstate commerce and not taxable.

Twelve. Receipts from Class B transactions where Pennsylvania coal is supplied directly from mine to an out of state consumer, at the direction of a Pennsylvania purchaser, are from interstate commerce and not taxable.

Thirteen. Receipts from Class C transactions, where pursuant to negotiations carried on and a contract entered into out of state, out of state coal, as required by an out of state purchaser, is delivered to a Pennsylvania destination, are from interstate commerce and not taxable.

Fourteen. Receipts from Class D transactions, where out of state coal, as required by a Pennsylvania

purchaser, is delivered to a Pennsylvania destination, are from interstate commerce and not taxable.

Fifteen. Receipts from Class E transactions are from interstate commerce and not taxable for the same reasons that receipts from Class [A] transactions are not taxable. The shipment of coal in Class E transactions was a through shipment from an out of state source, to an out of state destination, at the direction of an out of state purchaser, in accordance with a contract made out of state. The interstate character of this transaction was not altered by the temporary stoppage at Isabella, Pennsylvania. Commerce begins when the movement of the product begins, and ends when the product comes to rest at its destination. The interstate character of the commerce is not affected by temporary breaks in the transportation at intermediate points which are necessary or convenient to the promotion of further transportation. Commerce is ended only when, at the time of the temporary stoppage, the ultimate destination or use of the property cannot be determined. Such is not the situation in Class E transactions.

Sixteen. Receipts from Class F transactions are from interstate commerce and not taxable for the same reasons that receipts from Class B transactions are not taxable. The shipment in Class F transactions was a through shipment from a Pennsylvania source, to an out of state destination, at the direction of an out of state purchaser, pursuant to a contract made out of state. The interstate character of the transaction was not affected by the temporary stoppage at Isabella, Pennsylvania.

Seventeen. Receipts from Class G transactions, where Pennsylvania coal is sold to Pennsylvania railroads, and from intrastate commerce and are taxable.

Eighteen. Plaintiff is legally and equitably entitled to the relief prayed for in the Bills of Complaint and the Petitions for Appeal, except in so far as receipts from Class G transactions are involved.

Nineteen. The assessments by the Defendants, plus proportionate shares of penalty and interest are null and void and of no affect whatever, as follows:

| *Taxable years* 1948, 1949 1950, 1951 | *City of Pittsburgh* | *School District of Pittsburgh* |
|---|---|---|
| Class A | $2,890.85 | 1,445.43 |
| Class B | 391.03 | 195.52 |
| Class C | 4.17 | 2.08 |
| Class D | 3,288.38 | 1,644.19 |
| Class E | 44.96 | 22.48 |
| Class F | 645.65 | 327.83 |
| Total | $7,265.04 | 3,637.53 |
| Proportionate share of Penalty and Interest | 1,923.21 | 962.93 |
| Total | 9,188.25 | 4,600.46 |

The above suits were instituted by the plaintiff to determine the liability of the mercantile tax to the City of Pittsburgh. The questions in the three cases are the same and they were tried together.

*Appendix A*

The School District of Pittsburgh has a mercantile tax similar to that imposed by the City of Pittsburgh. The School Tax is imposed by the Act of June 20, 1947, P. L. 745. The School District cases bear the following numbers and terms: 2015 January, 1951; 2604 January, 1951; 2169 July Term, 1951. These cases were tried with the City cases since the issues to be determined are identical.

## STATEMENT OF FACTS

The facts are undisputed. Defendants offered no evidence. The City of Pittsburgh imposed a mercantile tax by City Ordinance 488 approved December 1, 1947. The tax is measured by volume of business done in the year prior to the tax year. Article I, Section 8, Clause 3 of the Constitution of the United States provides that the Congress shall have power to regulate commerce with foreign nations and among the several states and with the Indian Tribes. The several courts of the U. S. have held, together with the states, that because of this provision no state and no municipality may unduly burden any such commerce. The defendant City claims that the tax does not transgress this clause. The case at bar came before this court for reargument. The Chancellor filed an adjudication. Both sides filed exceptions. The plaintiff's exceptions related to the failure of the court to file Findings of Fact and Conclusions of Law. The reason for this was that the opinion of the court was to request the parties to wait the final determination of the case then in the Supreme Court, namely, the case of Keystone Metal Company vs. City of Pittsburgh, 374 Pa. 323. It was the opinion of this court that this court should not arrive at a

ruling opposite from the Supreme Court if the facts were the same.

A brief statement of the facts is necessary. The plaintiff company operates a business as a wholesale vendor and dealer in coal and coke. Sources of coal are mined in the States of West Virginia, Kentucky and Pennsylvania, and their customers are located in most eastern states. Plaintiff stresses the fact that coal produced in one state or even from one mine is unique, inasmuch as certain mines have certain qualities which are suitable for some uses and unsuitable for others. Inasmuch as the consumers are located in different states a large percentage of plaintiff's business is interstate. This leads to a dispute of seven different types of transactions conducted by plaintiff. These transactions can be summarized as follows:

A. Class A transactions consist of sales from out of state mines and ovens to Pennsylvania companies for delivery directly to third parties out of state. The coal or coke never enters the state of Pennsylvania. The purchaser specifies the source of the coal or coke which he wishes to purchase.

B. Class B transactions consist of sales from Pennsylvania mines and ovens to dealers in Pennsylvania but delivered directly to third parties out of state. There is no delivery in Pennsylvania.

C. Class C transactions consist of sales from out of state mines to out of state purchasers (the Baltimore and Ohio Railroad in all instances) for delivery to scales in Pennsylvania. The purchaser specifies the source of the coal which he wishes to

purchase, the negotiations for these sales were carried on out of state and the orders were placed from out of state.

D. Class D transactions consist of sales from out of state mines and ovens to Pennsylvania companies for delivery to them or their customers in Pennsylvania. The purchaser specifies the source of the coal or coke which he wishes to purchase.

E. Class E transactions consist of sales from out of state mines to Weirton Steel Company, Weirton, West Virginia. The contract which was negotiated in Weirton, required plaintiff to load West Virginia coal into Weirton barges at loading points along the Monongahela River in West Virginia. The barges would be loaded as fully as water conditions on the river would permit and then delivered to Weirton's loading station at Isabella where, because of greater river depth the barges would be completely loaded with Weirton Coal by Weirton and then towed direct to the Weirton Steel Company at Weirton, West Virginia. The layover at Isabella, Pennsylvania was no longer than necessary to complete the loading of the barges.

F. Class F transactions consist of sales from Pennsylvania mines to Weirton Steel Company, Weirton, West, Va. The contracts there were negotiated in Weirton, West Va. required plaintiff to ship the coal from the mines by truck for loading into Weirton Barges for immediate shipment to Weirton, W. Va., for use there.

G. Class G transactions consist of sales from Pennsylvania mines and ovens to railroad in Pennsylvania for delivery to them at their nearest scales. Plaintiff admits that receipts from these transactions are taxable.

The Trial Court affirmed by the court en banc decided that all of the foregoing transactions with the exception of Class G were interstate commerce and exempt from mercantile taxation. A reargument was ordered and we now decide that the plaintiff's exceptions should be sustained and the trial court's adjudication should be reformed so as to include findings of fact and conclusions of law. Since the opinion in the Keystone Metal case, several cases have arisen in New York state involving the commerce clause in situations similar to the case at bar. We refer to the case of United Airlines, Inc. v. Joseph, 282 Appellate Division, 1948, decided in 1953, and the case of United Dye Works v. Joseph, 282 App. Div. 60, decided in 1953.

The Appellate Division of the New York Court held that the local tax could not be imposed. The tax in the case at bar is illegal and the affirmation of the Chancellor should be affirmed. The syllabus of the Keystone Metal Company case reads as follows:

"Where it appeared that sales of copper scrap were made by a Pittsburgh seller to Pittsburgh buyers, it was held that such sales were transactions properly includible as gross receipts under the mercantile license taxes of the City of Pittsburgh and the School District of Pittsburgh, even though the subject matter of the transactions never came into Pennsylvania but was delivered directly from out of

State suppliers to buyers outside the State not affiliated with either the seller or the buyers.

It was held that the tax was not invalidated by the fact that the tax base was greater by reason of the inclusion therein of the cost of the interstate transportation.

A provision in the regulations of the City and School District that the taxpayer's receipts are excluded if the seller agrees to and does deliver the property to a purchaser at a point outside Pennsylvania was held to refer to a purchaser located outside Pennsylvania.

It was held that an interest charge of 6% per annum and a penalty of 1% per month on the deficiency in the tax payments were not unduly harsh, and that the court below erred in relieving the taxpayer, who was testing the validity of the ordinance, from their payment.

Although a transaction viewed as a whole may be one in interstate commerce, there may be certain intrastate events or local activities in connection therewith that permit the imposition of a state tax.

The solution of the question whether a state tax falls within the latter category depends entirely on the particular facts in each instance and may, admittedly, require the drawing of nice distinctions. In cases involving the legality of state taxation the question is not determined by the broad concept of what constitutes interstate commerce when problems of state regulation are concerned; it depends rather on whether there are sufficient local incidents to validate the tax, even though the total activities

from which the transaction arises may have incidental interstate attributes."

Inasmuch as this opinion deals almost entirely with the question as to whether or not the Keystone case is controlling, we have quoted this case at length. The Keystone Metal Company purchased scrap in Pennsylvania and other states. They directed that the product be shipped directly to a refinery. In the case at bar the coal had to come from a particular mine. We believe that interstate commerce was essential in this case and not incidental to the local transaction. We understand that any State in which the coal is mined can impose a tax. We cite the case of Corey vs. Independent Ice Company, 207 Federal 459. In the instant case there was no shipment of the coal across State Borders by the purchaser. Contracts for the purchase of coal were made by the purchaser out of Pittsburgh and out of Pennnsylvania. Contracts were consummated there and the coal never came here nor did it come to Pennsylvania. We therefore believe that the transactions in the instant case were essentially different than the transactions in the Keystone case. For these reasons we reaffirm our opinion originally made in the first adjudication. Defendants have filed exceptions but they are really covered in the body of the opinion in this case. Objection is made to the order of court. We have gone into this at length in the original adjudication, and to some extent in the adjudication, and to some extent in the adjudication filed after the reargument and to discuss the matter any more thoroughly would be needless in our opinion.

Judge Duff partially dissents believing that Class A, B, D, and G fall within the ruling in the Keystone Metals case.

*Appendix A*

ORDER OF COURT

And now, to-wit Sep. 3, 1954 exceptions filed by defendants are overruled, and exceptions filed by the plaintiff are affirmed.

By the Court
T M M

Eo die, exception noted and bill sealed.

THOS. M. MARSHALL [SEAL]
*Judge.*

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**Opinion of the Supreme Court of Pennsylvania.**

Filed: May 4, 1955

HORACE STERN, C. J.

The question is whether certain sales made by The Wieman and Ward Company, a Pennsylvania corporation engaged in Pittsburgh in the business of wholesale dealer in coal, coke and pig iron, are transactions the gross receipts from which are properly includable in computing the mercantile license taxes of the City of Pittsburgh and the School District of Pittsburgh, or whether they are exempt therefrom because they involve interstate commerce.

The mercantile license tax of the City of Pittsburgh is imposed under an Ordinance which is authorized by the Act of June 25, 1947, P. L. 1145, as amended, and which provides, in the case of a wholesale dealer, for a tax at the rate of 1 mill on each dollar of the volume of his annual gross business. The mercantile license

tax of the School District is imposed by the Act of June 20, 1947, P. L. 745, as amended, which provides, in the case of a wholesale dealer, for a tax at the rate of ½ mill on each dollar of the volume of his annual gross business.

The Wieman and Ward Company filed with the City and the School District combination mercantile tax returns for the years 1948, 1949, 1950, and 1951, based on its annual gross intrastate business, and it duly paid the taxes thereon. The City and the School District, however, assessed the Company additional taxes based upon sales in which certain interstate features were involved. The Company filed bills of complaint that the additional assessments be declared null and void. The court below sustained its contentions, whereupon the City and the School District took the present appeals.

The transaction on which the controversy is based are classified by the parties in six categories for convenience of treatment:[1]

Class A transactions consist of sales of coal to Pennsylvania buyers. The coal is purchased by The Wieman and Ward Company from out-of-State mines specified by the buyer and delivered directly, at the buyer's direction, to the buyer's customers out of the State. A typical example is a sale of certain specified coal to the H. C. Frick Coke Company of Pittsburgh, the

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1. There is a seventh category representing sales of Pennsylvania mined coal, mostly to the Pennsylvania Railroad at their scales in Pennsylvania, for shipment over their system to points when and where needed. Appellee admits that these transactions are taxable and therefore they are not in dispute.

coal being procured from a mine in Kentucky and shipped directly to an Ohio customer of the Frick Company.

Class B transactions consist of sales of coal to Pennsylvania buyers. The coal is purchased by The Wieman and Ward Company from mines in Pennsylvania specified by the buyer and delivered directly, at the buyer's direction, to the buyer's customers out of the State. A typical example is a sale of certain specified coal to the Cortright Coal Company in Pittsburgh, the coal being procured from a mine in Pennsylvania and shipped to a New Jersey customer of the Cortright Company. A similar transaction was described as a sale to the Pennsylvania Coal & Coke Corporation in Philadelphia of a specified coal mined in Pennsylvania and shipped to the latter's customer in Maryland.

Class C transactions consist of sales to the Baltimore and Ohio Railroad Company, the principal office of which is located in Baltimore, of a specified coal procured from out-of-State mines and delivered to the Railroad Company at their scales in Pennsylvania.

Class D transactions consist of sales to Pennsylvania buyers of coal specified by the buyer, procured from out-of State mines, and delivered to the buyer or the buyer's customers in Pennsylvania. A typical example is a sale to Jones and Laughlin Steel Corporation of Pittsburgh of certain specified coal procured from a mine in West Virginia, and shipped to the purchaser's blast furnace at Aliquippa, Pennsylvania.

Class E transactions consist of sales to the Weirton Steel Company of Weirton, West Virginia, of certain

specified coal mined in West Virginia and delivered by barges to a point on the Monongahela River within Pennsylvania designated by the buyer; at that point the buyer loads additional coal from its own mine on the barges which then continue on to Weirton.

Class F transactions consist of sales, also to the Weirton Steel Company, of coal mined in Pennsylvania and delivered by truck to a point on the Monongahela River within Pennsylvania designated by the buyer; there it is loaded by the buyer, together with its own coal, on barges which take it to Weirton.

The mercantile license taxes here involved are taxes on the privilege or business of selling merchandise, in the one case in the City of Pittsburgh and in the other in the School District of Pittsburgh. The mere fact that transactions may to some extent involve interstate commerce does not necessarily exempt them from local taxation. It was said in *McGoldrick, Comptroller of the City of New York, v. Berwind-White Coal Mining Co.*, 309 U.S. 33, 46, 47: "Not all state taxation is to be condemned because, in some manner, it has an effect upon commerce between the states, and there are many forms a tax whose burdens, when distributed through the play of economic forces, affect interstate commerce, which nevertheless fall short of the regulation of the commerce which the Constitution leaves to Congress." And in *International Harvester Co. v. Department of Treasury*, 322 U.S. 340, 344, it was said: "* * * * neither the Commerce Clause nor the Fourteenth Amendment prevents the imposition of the [State] tax on receipts from an intrastate transaction even though

the total activities from which the local transaction derives may have incidental interstate attributes."

Some of the circumstances under which local taxation is not unconstitutional even where there is a transportation of goods across state lines are discussed at length in *Keystone Metal Co. v. Pittsburgh*, 374 Pa. 323, 97 A.2d 797 (cert. den. 346 U.S. 887, rehearing den. 917). It was there pointed out (p. 327, A.p. 799) that the Supreme Court of the United States has held in many cases there cited,[2] that, although a transaction viewed as a whole may be one in interstate commerce, there may be certain "intrastate events" or "local activities" in connection therewith that permit the imposition of a State tax. We stated that "The solution of the question whether a State tax falls within this latter category depends entirely on the particular facts in each instance," and (p. 328, A. p. 799) it "is not determined by the broad concept of what constitutes interstate commerce when problems of State *regulation* are concerned; it depends rather on whether there are sufficient local incidents to validate the tax, even though the total activities from which the transaction arises may have incidental interstate attributes." And we held in that case that sales of copper scrap made by a Pittsburgh seller to Pittsburgh buyers were properly included as gross receipts under the same mercantile license taxes

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2. *Western Live Stock v. Bureau of Revenue*, 303 U.S. 250; *Southern Pacific Co. v. Gallagher*, 306 U.S. 167, 176; *McGoldrick v. Berwind-White Coal Mining Co.*, 309 U.S. 33, 58; *International Harvester Co. v. Department of Treasury*, 322 U.S. 340; *Norton Co. v. Department of Revenue of Illinois*, 340 U.S. 534.

as those here involved, even though the material itself never came into Pennsylvania but was delivered directly from out-of-State suppliers to parties outside the State not affiliated with either the seller or the buyers.

We turn, then, to the Class A transactions. In these the coal is sold by the appellee company, a Pittsburgh dealer, to Pittsburgh buyers; the transaction of sale is consummated in Pennsylvania and clearly forms part of the total business activities of the company on which the mercantile license tax is imposed. It is true that the buyer in such transaction specifies a kind of coal which is obtainable only from an out-of-State mine and gives shipping instructions for delivery to the buyer's out-of-State customer, but in the *Keystone Metal Company* case it was held that the fact that the sale was made in Pennsylvania by a Pennsylvania dealer to a Pennsylvania buyer was an "intrastate event" or "local activity" sufficient to justify the right of the City and the School District of Pittsburgh to include such a transaction within the measure of the mercantile license taxes. It is true also, of course, that there is necessarily involved a physical transportation of goods from one State to another, thereby constituting interstate commerce, but the mere fact that such transportation is induced or occasioned by a local business transaction does not render the transaction exempt from local taxation: *Western Live Stock v. Bureau of Revenue,* 303 U.S. 250, 253.

Appellee seeks to distinguish these Class A transactions from the ruling in the *Keystone Metal Company* case by pointing out that here the buyer's specification was for coal to be obtained from an out-of-State mine, whereas in the *Keystone Metal Company* case the scrap

copper might possibly have been obtained in Pennsylvania although in the particular instance it had to be procured elsewhere. But this difference would scarcely seem to be of significance from a legal standpoint because in both cases a physical transportation of the coal or the copper takes place across State lines and therefore interstate commerce is as much involved in the one instance as in the other. Another attempted distinction is that in the *Keystone Metal Company* case the copper was sent to a consignee in New Jersey for processing whereas in the present case the coal is delivered to an out-of-State buyer for consumption, but this fact likewise furnishes no basis for a legal differentiation because it is obvious that the mere purpose or object of the consignee in receiving the shipment has no bearing whatever on the interstate nature of the transaction. We conclude, therefore, that the transactions in Class A are includable in the volume of appellee's gross receipts in computing these mercantile license taxes.

The same result necessarily follows in regard to the *transactions* in Classes B and D. In Class B as in Class A the sales of coal are made by a Pennsylvania dealer to Pennsylvania buyers, the only difference being that the buyer in this instance specifies a Pennsylvania instead of an out-of-State mine, a fact which, if anything, makes the transaction even more of a "local event." In Class D the sales likewise are made by a Pennsylvania dealer to Pennsylvania buyers although the coal is procured from out-of-State mines specified by the buyer it is delivered to the buyer or his customers in Pennsylvania. There is here, therefore, a sale in Pennsylvania and a delivery in Pennsylvania, and consequently an obviously taxable transaction.

As to Class C transactions, there is some apparent controversy in regard to the State in which the sale of the coal is effected. All appellee's salesmen, with the exception of three not here involved, are located in the company's Pittsburgh office, and, while they doubtless contact buyers outside the State in order to negotiate sales, there is nothing in the record to indicate but that all orders thus obtained were subject to acceptance, and were accepted, and the sales thereby consummated, at appellee's home office. The coal in these transactions is delivered to the buyer in Pennsylvania, and such a delivery has even been held in certain cases to constitute in itself an adequate taxable event: *Department of Treasury of Indiana v. Wood Preserving Corporation,* 313 U.S. 62, 67, 68; *International Harvester Co. v. Department of Treasury,* 322 U.S. 340, 345. Even if the orders for the sales were obtained and the contracts executed outside Pennsylvania, this is not controlling in regard to the question of the taxability of the transaction where there is such intrastate delivery: *Western Live Stock v. Bureau of Revenue,* 303 U.S. 250, 253; *Department of Treasury of Indiana v. Wood Preserving Corporation,* 313 U.S. 62; *Department of Treasury of Indiana v. Ingram-Richardson Manufacturing Co. of Indiana,* 313 U.S. 252, 254; *International Harvester Co. v. Department of Treasury,* 322 U.S. 340, 345. We conclude, therefore, that the Class C. sales have sufficiently the nature of local transactions to justify the inclusion of the receipts therefrom in the volume of appellee's business activities on the basis of which the City's and School District's mercantile license taxes are computed.

Class E transactions consist of sales to a West Virginia company of coal mined in that same State and

shipped on barges on the Monongahela River. The sales are negotiated in West Virginia but the orders are accepted, and therefore the sales contracts made, in Pennsylvania. There is a question concerning these transactions as to the place during the course of the interstate transportation where delivery is made by the appellee to the buyer. It appears that the coal is loaded on the barges in West Virginia which are towed by a boat controlled by appellee to a place on the river called Isabella which is in Pennsylvania and which is designated by the buyer as the point of destination. There the buyer takes over, loads other coal of its own on the barges, and tows them by its own boat to its plant in West Virginia. It would seem, therefore, that dominion over the shipment is transferred from the appellee to the buyer at Isabella and, that being so, the transaction is one where, in addition to the fact that the final contracts of sale are made in Pennsylvania, delivery is also made within that State. Under such circumstances it is clear that these transactions also are subject to the mercantile license taxes. It is argued by appellee that the only reason for the buyer's accepting delivery at Isabella is that, before that point is reached, the barges cannot be completely loaded because of the shallower draft of the river. But the reason for making the delivery at that point is immaterial; it is the fact of the delivery there that is controlling. Nor does it matter in this connection that appellee knows that interstate transportation of the coal be contemplated and will occur after the barges leave Isabella; *Chassaniol v. City of Greenwood,* 291 U.S. 584; *Department of Treasury of Indiana v. Wood Preserving Corporation,* 313 U.S. 62; *International Harvester Company v. Department of Treasury,*

322 U.S. 340, 345; *Interstate Oil Pipe Line Co. v. Stone,* 337 U.S. 662.

Class F transactions are similar in all respects to those in Class E except that the coal is mined in Pennsylvania and delivered by truck to a point on the Monongahela River within Pennsylvania where it is loaded by the buyer, together with its own coal, on barges which take it to its ultimate destination. Here the fact of intrastate delivery is even more clear than in the preceding class, and accordingly the transactions are similarly taxable.

The question has been raised whether the so-called multiple burden test discussed in *Western Live Stock v. Bureau of Revenue,* 303 U. S. 250, has been discarded or modified by decisions of the United States Supreme Court since the original enunciation of that principle. That subject was discussed at some length in the *Keystone Metal Company* case and requires no repetition here. It is clear that even if a tax of some kind could be imposed by the State of the supplier,—the State where the coal is mined and is purchased by the appellee,—no State other than Pennsylvania could impose a tax on appellee's sale of the coal, and it is *that* transaction, not the previous *purchase* transaction, which enters into the volume of its business for the privilege of conducting which these mercantile license taxes are imposed. Nor would any property or use tax after the coal has entered the State of delivery constitute a "multiple burden" tax on appellee's sale of the coal: *Wiloil Corporation v. Pennsylvania,* 294 U. S. 169; *McGoldrick, Comptroller of the City of New York v. Berwind-White Coal Mining Co.,* 309 U. S. 33. Therefore,

even if the multiple burden test were to be applied, it would support the validity of these taxes: *Keystone Metal Company v. Pittsburgh,* 374 Pa. 323, 331, 332, 97 A.2d 797, 801.

To summarize, therefore, we are of opinion that even though physical transportation of the coal is made in each of the classes in question across State lines and therefore involves the element of interstate commerce, there are, in each of the classes, sufficient local features or events to justify the inclusion by the City and the School District of Pittsburgh of the gross receipts from such transactions in the measure of appellee's business activities for the privilege of conducting which the mercantile license taxes are imposed.

The orders of the court below are reversed at appellee's cost.

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**Mercantile License Tax of School District of Pittsburgh.**

Act of June 20, 1947, P. L. 745, Pa. Stat. Ann. tit. 24 §582.1

"§582.1 Definitions

"The following words and phrases when used in this act shall have the meanings ascribed to them in this section unless the context clearly indicates a different meaning.

* * * * * * * *

"(2) 'Wholesale dealer' or 'Wholesale vendor' shall mean any person who sells to dealers in, or vendors of, goods, wares and merchandise and to no other persons.

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"§582.4 Imposition and rate of tax

"Every person engaging in any of the following occupations or businesses in any school district of the first class shall pay an annual mercantile license tax at the rate set forth:

"(1) Wholesale vendors or dealers in goods, wares and merchandise and brokers, at the rate of one-half (½) mill on each dollar of the volume of the annual gross business transacted by him;

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"§582.12 Saving clauses

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"(b) Nothing contained in this act shall be construed to empower any school district of the first class to levy and collect the taxes hereby imposed on any person or on any business or any portion of any business not within the taxing power of this Commonwealth under the Constitution of the United States."

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**Mercantile License Tax of City of Pittsburgh Ordinance No. 488 of 1947.**

AN ORDINANCE—To provide revenue for the City of Pittsburgh by imposing a mercantile license tax on persons engaged in certain occupations and businesses therein; providing for its levy and collection and for the issuance of mercantile licenses; and conferring and imposing powers and duties on the Treasurer of the City of Pittsburgh, and imposing penalties. THE COUNCIL OF THE CITY OF PITTSBURGH HEREBY ENACTS AS FOLLOWS:

SECTION 1. Definitions:—The following words and phrases when used in this ordinance shall have the meanings ascribed to them in this section unless the context clearly indicates a different meaning:

* * * * * * *

(b) "Wholesale dealer" or "Wholesale vendor" shall mean any person who sells to dealers in, or vendors of, goods, wares and merchandise and to no other persons.

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SECTION 2. Levy and Collection of Tax.—For the year 1948 and annually thereafter the City hereby imposes an annual mercantile license tax in the manner and at the rates hereinafter set forth.

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SECTION 4. Imposition and Rate of Tax.—Every person engaging in any of the following occupations or businesses in the City shall pay an annual mercantile license tax for the year 1948 and annually thereafter at the rate set forth:

(a) Wholesale vendors or dealers in goods, wares and merchandise, at the rate of one (1) mill on each dollar of the volume of the annual gross business transacted by him:

* * * * * * *

SECTION 11. Saving Clause.—(a) Nothing contained in this ordinance shall be construed to empower the City to levy and collect the taxes hereby imposed on any person, or any business, or any portion of any business not within the taxing power of the City under the Constitution of the United States and the laws and Constitution of the Commonwealth of Pennsylvania.

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## APPENDIX B

### Summary of Transactions.

#### CLASS A

*Class A* transactions consist of sales from out of state mines and ovens to Pennsylvania Companies for delivery directly to third parties out of state. The coal or coke never enters the state of Pennsylvania. The purchaser specifies the source of the coal or coke which he wishes to purchase.

#### CLASS B

*Class B* transactions consist of sales from Pennsylvania mines and ovens to dealers in Pennsylvania but delivered directly to third parties out of state. There is no delivery in Pennsylvania.

#### CLASS C

*Class C* transactions consist of sales from out of state mines to out of state purchasers (the Baltimore & Ohio Railroad in all instances) for delivery to scales in Pennsylvania. The purchaser specifies the source of the coal which he wishes to purchase, the negotiations for these sales were carried on out of state and the orders were placed from out of state.

#### CLASS D

*Class D* transactions consist of sales from out of state mines and ovens to Pennsylvania companies for delivery to them or their customers in Pennsylvania. The purchaser specifies the source of the coal or coke which he wishes to purchase.

#### CLASS E

*Class E* transactions consist of sales from out of state mines to Weirton Steel Company, Weirton, West Virginia. The contract which was negotiated in Weirton, West Virginia, required Petitioner to load West Virginia Coal into Weirton barges at loading points along the Monongahela River in West Virginia. The barges would be loaded as fully as water conditions on the river would permit and then delivered to Weirton's loading station at Isabella where, because of greater river depth, the barges would be completely loaded with Weirton coal by Weirton and then towed direct to the Weirton Steel Company at Weirton, West Virginia. The layover at Isabella, Pennsylvania, was no longer than necessary to complete the loading of the barges.

#### CLASS F

*Class F* transactions consist of sales from Pennsylvania mines to Weirton Steel Company, Weirton, West Virginia. The contracts, which were negotiated in Weirton, West Virginia, required Petitioner to ship the coal from the mines by truck for loading into Weirton Barges for immediate shipment to Weirton, West Virginia, for use there.